

Fiscal Year 2020 Proposed Budget Presentation

Electric Utility Commission

Austin Energy
Executive Team



August 12, 2019

© 2018 Austin Energy

Agenda

- Proposed Budget Summary
- Financial Health
- Major Business Unit Discussions
- Proposed Tariff and Fee Changes
- Budget Adoption Schedule



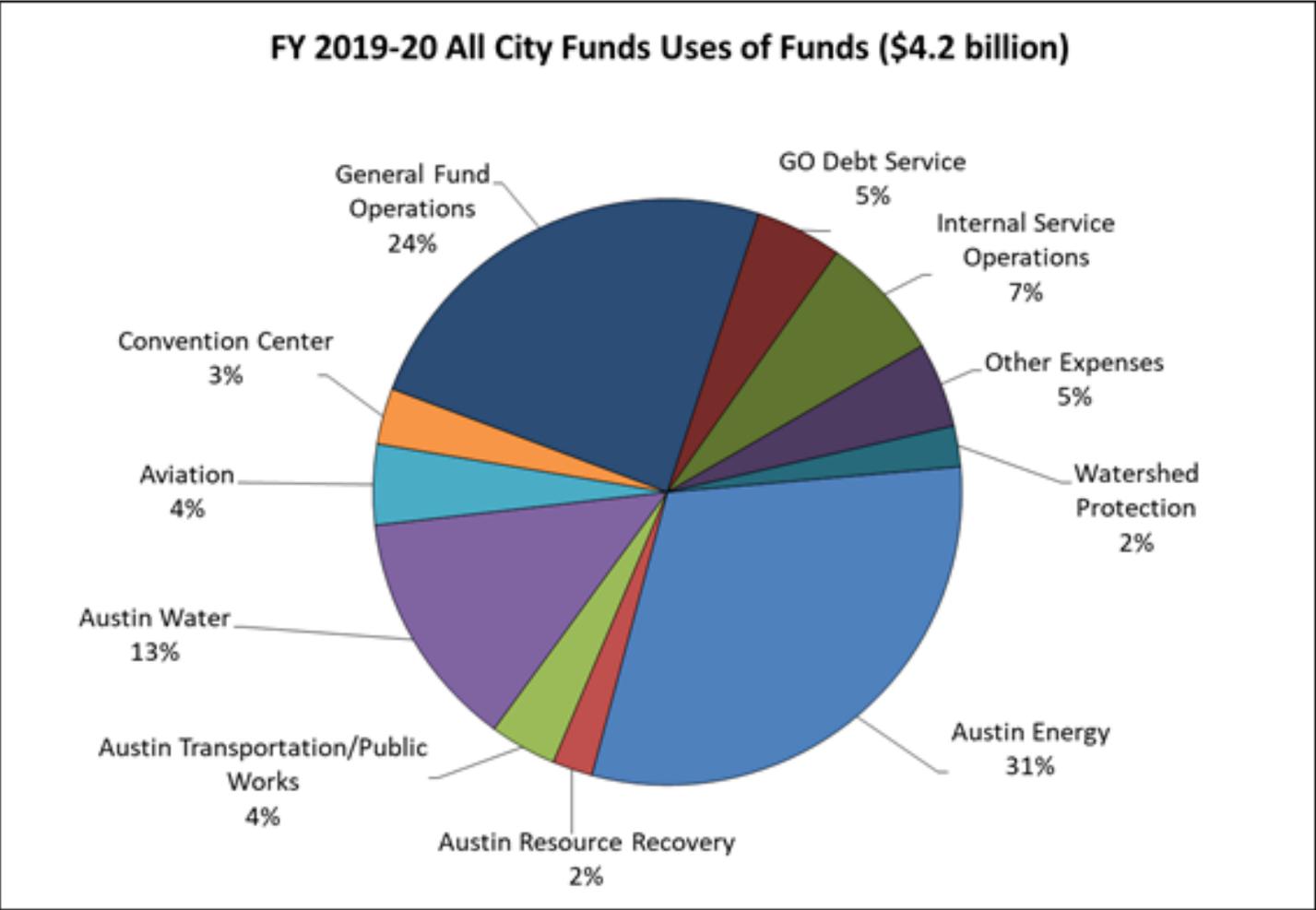
Fiscal Year 2020 Proposed Budget Presentation

Proposed Budget Summary



Austin Energy's Share of the FY 2020 City Budget

All City Funds for FY 2020: \$4.2B



Austin Energy's total Expenditures Budget of \$1.4B in FY 2019 is 31% of the City of Austin's total expenditures budget of \$4.2B



Fund Summary FY 2020

(\$ millions)	FY 2018 Actual	FY 2019 Amended	FY 2019 Estimated	FY 2020 Proposed	FY 2020 Proposed To FY 2019 Amended	% Change
Beginning Balance	\$370.8	\$403.7	\$394.9	\$364.4	(\$39.3)	(9.7%)
Revenue/Transfers In	1,417.6	1,392.3	1,362.4	1,409.7	17.4	1.3%
Expenditures:						
Operating Expenses	571.1	604.1	604.1	646.4	42.3	7.0%
Power Supply Expenses	457.1	413.0	388.5	362.1	(50.9)	(12.3%)
Debt Service	91.1	103.5	122.1	154.0	50.6	48.9%
CIP Transfer	58.7	66.6	74.2	80.5	13.9	20.9%
General Fund Transfer	109.0	110.0	110.0	111.0	1.0	0.9%
Other Transfers	51.3	54.0	54.0	56.4	2.4	4.4%
Reserve Transfers	30.1	40.0	40.0	0.0	(38.0)	(95.0%)
Total Expenditures	\$1,368.4	\$1,391.2	\$1,392.9	\$1,410.4	\$19.2	1.4%
Excess(Deficiency)	\$49.2	\$1.2	(\$30.4)	(\$0.7)		
Ending Balance	\$394.9	\$404.9	\$364.4	\$363.7	(\$41.2)	10.2%
FTEs	1,749	1,774	1,774	1,784	10	0.6%



In Millions

This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on www.austintexas.gov/financeonline/finance/main.cfm

Acquisition of Nacogdoches Power, LLC: FY 2020 Budget Impact

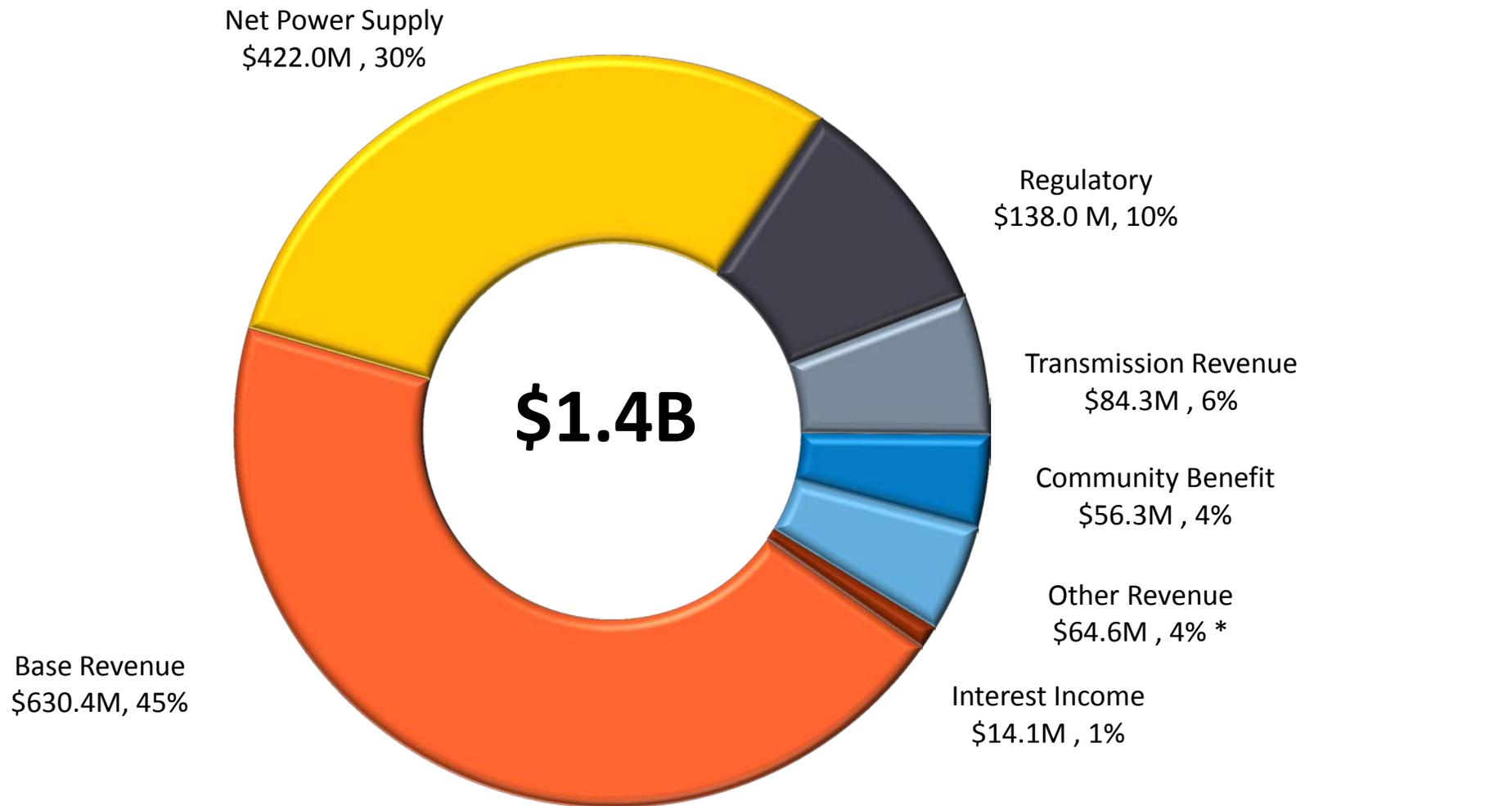
- Net impact of acquisition is budget favorable for FY 2020 by \$1M
 - Avoids the 3% escalation factor from previous contract
- Revenue from PSA will continue to fund Nacogdoches
- Expenses included in Power Supply, Power Production and Debt Service

Budget Component	FY 2019
Capacity Payment - Power Supply	\$59M
Energy Charge - Power Supply	\$4M
Debt Service	\$0M
O&M - Power Production	\$0M
Total Biomass Power Supply Exp/Rev	\$63M

Budget Component	FY 2020
Capacity Payment - Power Supply	\$0M
Energy Charge - Power Supply	\$3M
Debt Service	\$42M
O&M - Power Production	\$17M
Total Biomass Power Supply Exp/Rev	\$62M



FY 2020 Sources of Revenue



*Other revenue includes District Cooling (chiller) \$27.8M, Congestion Revenue \$13.0M, infrastructure attachments \$5.7M, Misc. Fees \$14.9M



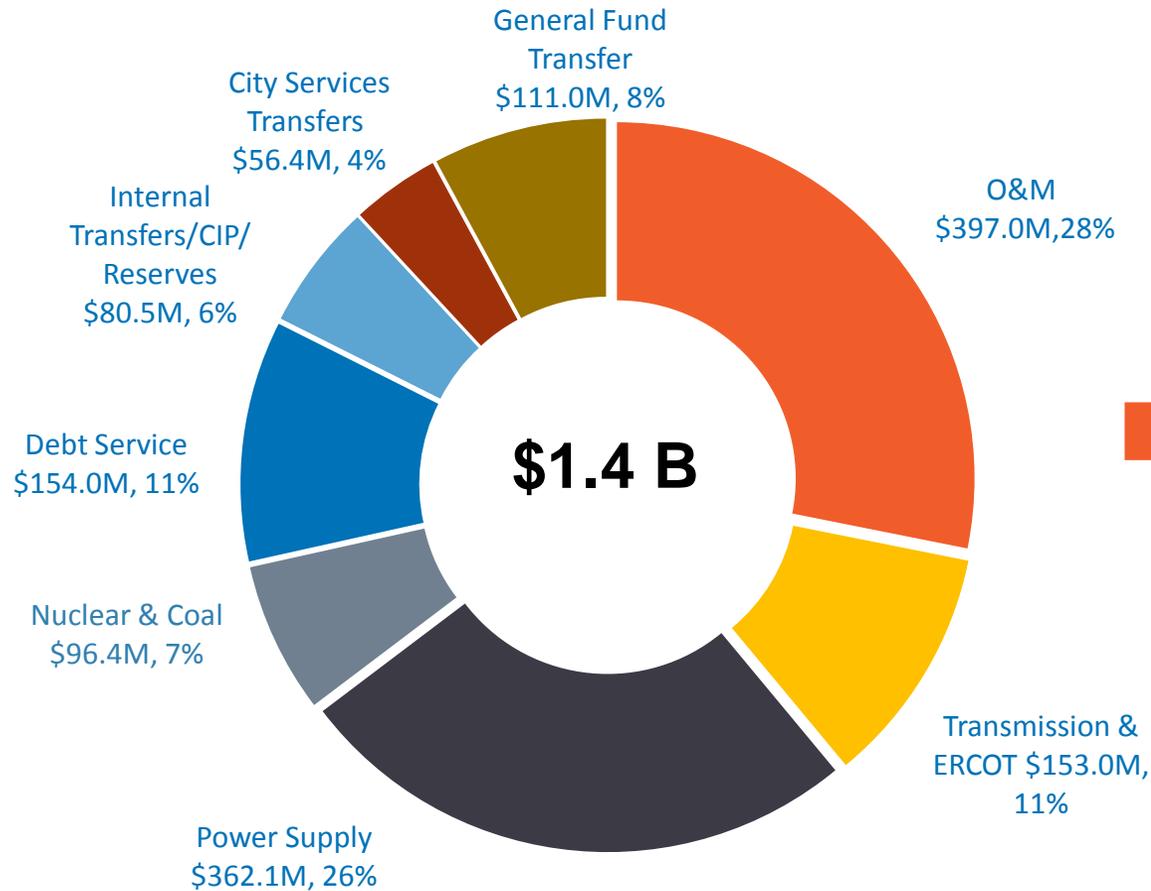
FY 2020 Revenue Budget Highlights

- Base revenue remains relatively flat
 - Customer growth projected at 2.0%
 - Load growth in sales <1%
 - No change in base rates
- Power Supply Adjustment to be finalized in late August
 - Anticipate upward adjustment due to \$21M over-collection returned to customers in FY19
- No change in Community Benefit Charge
- No change in Regulatory Charge anticipated

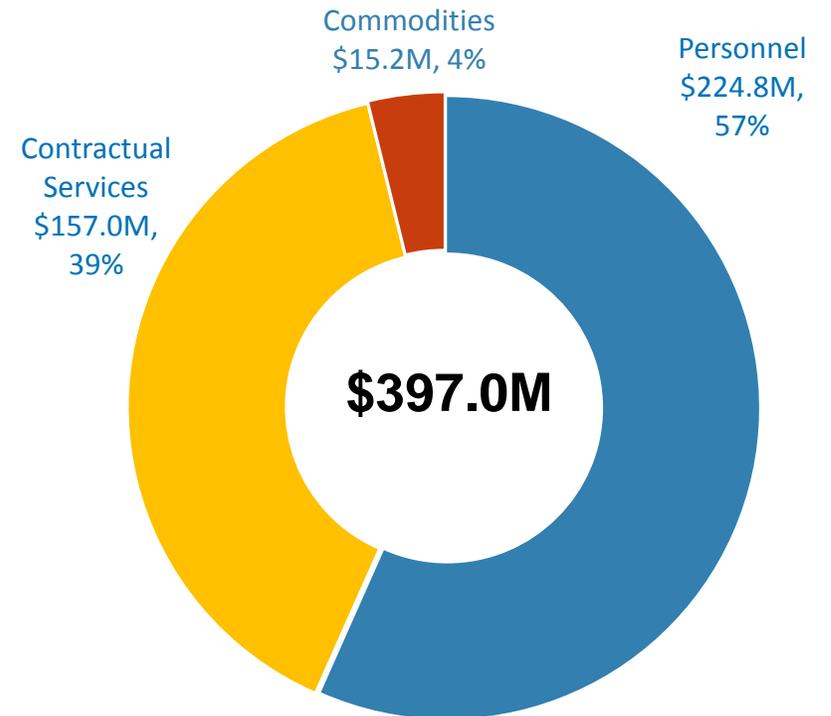


Funding Needed for Austin Energy Operations FY 2020

Operating Requirements



Operations & Maintenance



Austin Strategic Direction 2023

City of Austin's Vision:

- Austin is a beacon of sustainability, social equity, and economic opportunity; where diversity and creativity are celebrated; where community needs and values are recognized; where leadership comes from its community members and where the necessities of life are affordable and accessible to all.

City of Austin's Strategic Outcomes:

- Together we strive to create a complete community where every Austinite has choices at every stage of life that allow us to experience and contribute to all of the following outcomes:

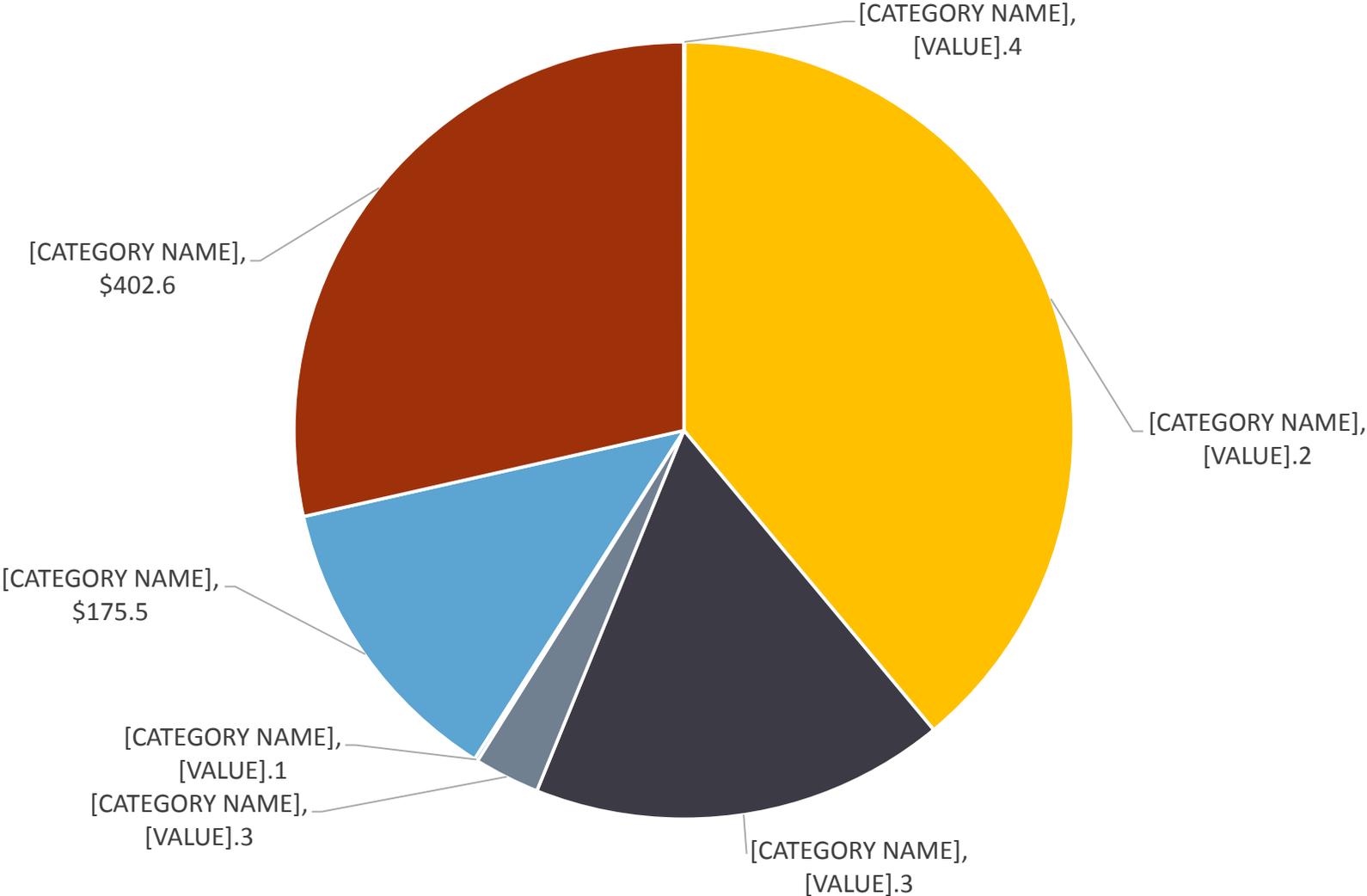
- **Economic Opportunity and Affordability:** Having economic opportunities and resources that enable us to thrive in our community.
- **Mobility:** Getting us where we want to go, when we want to get there, safely and cost-effectively.
- **Safety:** Being safe in our home, at work, and in our community.
- **Health and Environment:** Enjoying a sustainable environment and a healthy life, physically and mentally.
- **Culture and Lifelong Learning:** Being enriched by Austin's unique civic, cultural, ethnic, and learning opportunities.
- **Government That Works for All:** Believing that city government works effectively and collaboratively for all of us—that it is equitable, ethical and innovative.

Adopted by City Council on March 8, 2018



FY 2020 Proposed O&M Budget by Strategic Outcome

FY2020 Austin Energy Proposed Budget by Strategic Outcome, \$1.4B



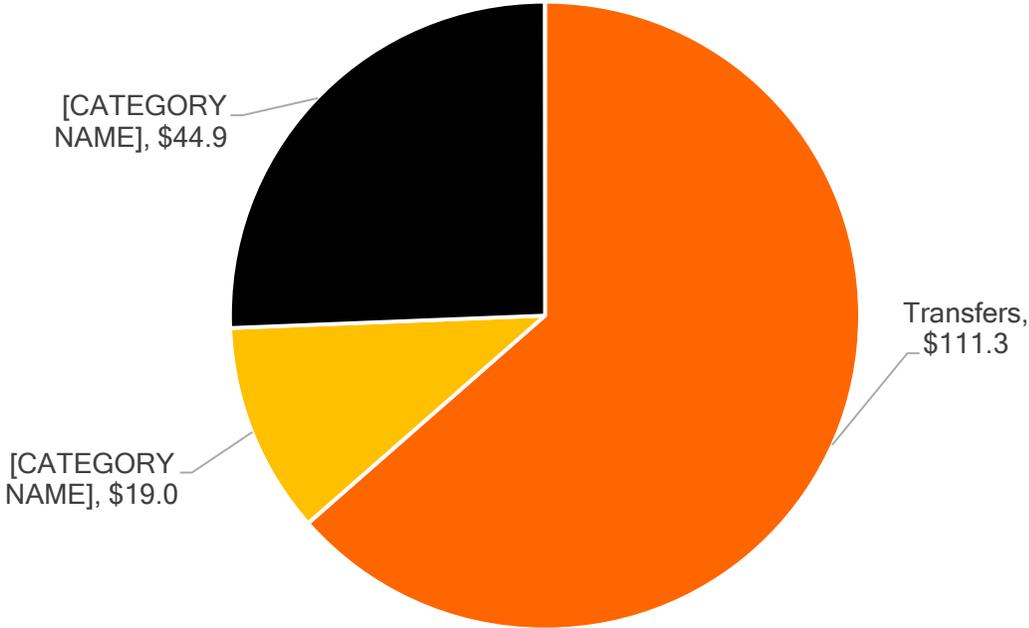
FY 2020 Operating Expense Highlights

- Power supply expenses to be finalized in late August
- Nuclear and coal operations increases, \$8.3M
- Technology consulting and services for Customer-Facing Portal implementation, \$1.7M
- Advanced grid technology, feeder reliability improvements, switch gear maintenance ; \$2.0M
- Line Clearance contractual increase \$1.0M
- City-wide across the board, cost of living increase in wages 2.5%; \$4.3M
- 10 new FTEs for a net impact of \$1.3M; increasing count to 1,784

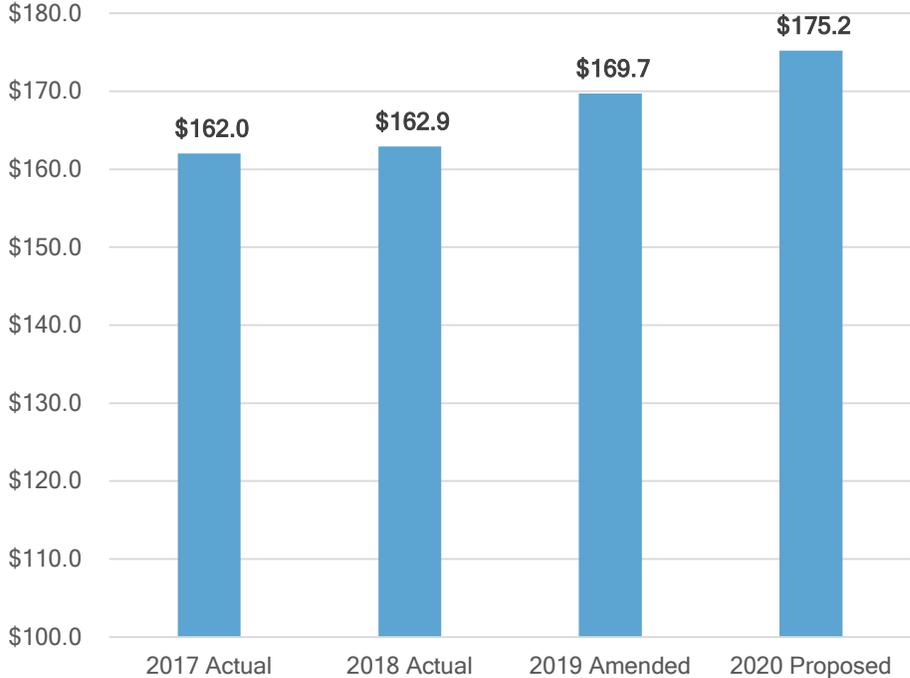


City Transfers & Payments for Direct and Indirect Services

FY2020 Proposed Budget : Transfers and Payments to the City (In millions of \$)



In millions of \$



Capital Improvement Plan 5-Year Spend Plan

In millions of \$

Business Unit	FY 2019 Estimate	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2020 – 2024 Total
Distribution	\$104.7	\$84.1	\$79.4	\$87.8	\$89.2	\$91.3	\$431.8
Distribution Substation	10.6	12.2	16.8	10.4	9.0	8.9	57.3
Transmission*	37.4	29.9	35.0	25.0	25.0	25.0	139.9
Electric Service Delivery	152.7	126.2	131.2	123.2	123.2	125.2	629.0
Power Production	11.9	10.3	17.8	15.6	16.4	15.3	75.4
Joint Projects	10.1	14.2	13.1	13.0	9.9	10.1	60.3
District Cooling*	24.6	50.1	42.7	24.6	12.5	2.0	131.9
General	80.2	53.7	112.2	10.0	10.0	10.0	195.9
Total	\$279.5	\$254.6	\$317.0	\$186.4	\$172.0	\$162.6	\$1,092.5

* Recovery of capital expenditures is not a component of retail rates



Financing the Capital Improvement Plan

In millions of \$

Business Unit	<i>FY 2019 Estimate</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2020 – 2024 Total
Total Capital Improvement Plan	\$279.7	\$254.6	\$317.0	\$186.4	\$172.0	\$162.6	\$1,092.6
Debt	168.0	128.4	189.9	82.9	73.0	63.7	537.9
Cash	83.1	93.2	94.1	70.5	66.0	65.9	389.7
Contribution in aid of construction	28.6	33.0	33.0	33.0	33.0	33.0	165.0
Total	\$279.7	\$254.6	\$317.0	\$186.4	\$172.0	\$162.6	\$1,092.6
Debt %	60.1%	50.4%	59.9%	44.5%	42.5%	39.2%	46.9%
Cash %	29.7%	36.6%	29.7%	37.8%	38.3%	40.5%	38.0%
Contribution in aid of construction %	10.2%	13.0%	10.4%	17.7%	19.2%	20.3%	15.1%



Fiscal Year 2020 Proposed Budget Presentation

Financial Health



Average Residential Customer Bill Impact

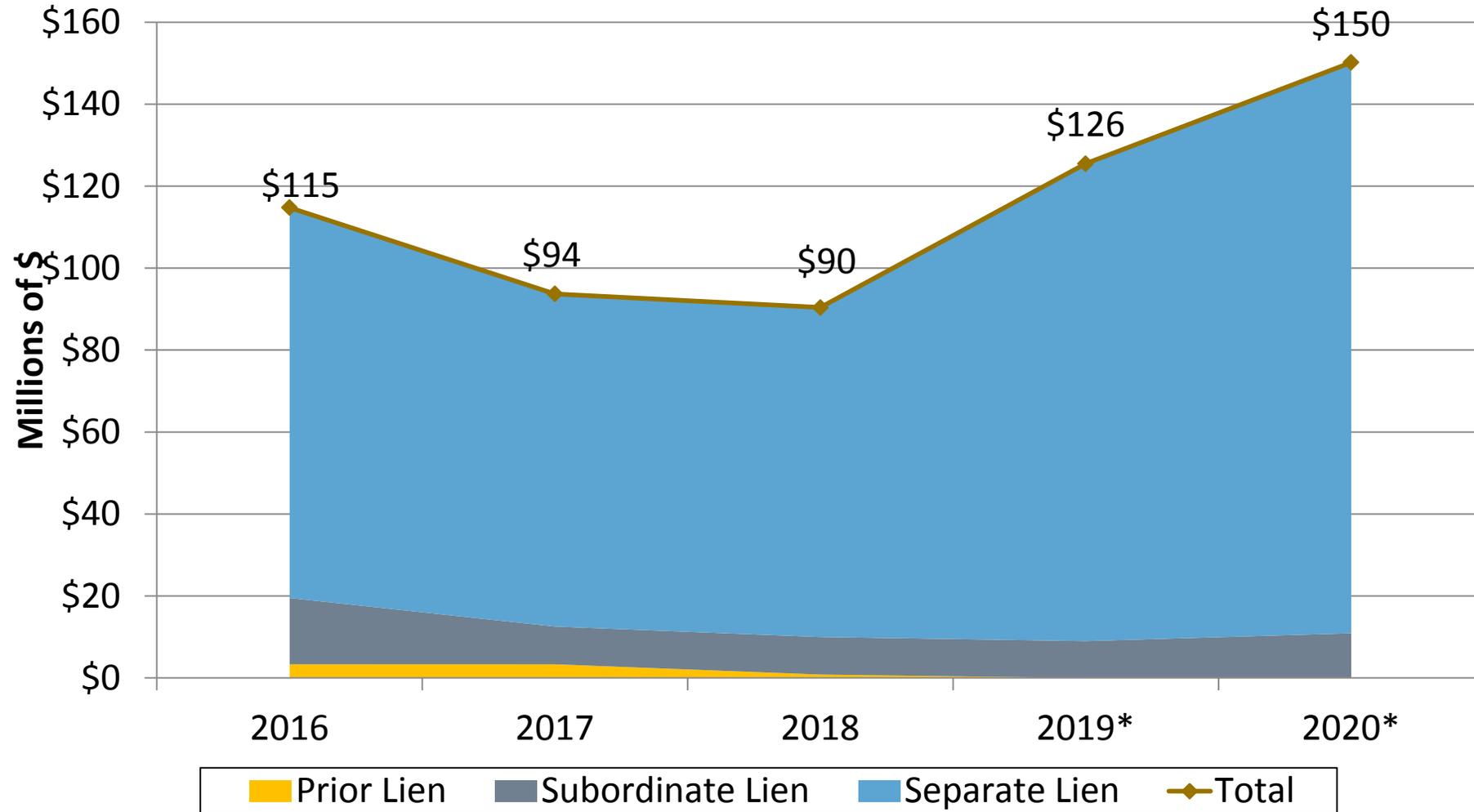
Unbundled 5-Tier Inclining Block Energy Rate (Inside City of Austin)

Average Monthly Bill	Energy (kWh)	FY 2019 Rate	FY 2020 Rate	\$ Change	% Change
Customer Charge		\$ 10.00	\$ 10.00	\$ -	0.0%
Base Electricity Charge	860	\$ 35.01	\$ 35.01	\$ -	0.0%
Power Supply Adjustment (PSA)*	860	\$ 24.90	\$ TBD	\$ -	TBD%
Community Benefit Charge (CBC)	860	\$ 5.27	\$ 5.27	\$ -	0.0%
Regulatory Charge	860	\$ 11.54	\$ 11.54	\$ -	0.0%
Total Monthly Bill	860	\$ 86.72	\$ TBD	\$ -	TBD%
Total CAP Customer Discounted Bill	860	\$ 67.86	\$ TBD	\$ -	TBD%

* The PSA and other pass throughs will be updated with final proposed numbers in August 2019.



Debt Service by Fiscal Year FY 2016-2020



	2016	2017	2018	2019	2020
Debt Outstanding	\$ 1,252	\$ 1,203	\$ 1,168	\$ 1,871	\$ 1,792



* \$42M Nacogdoches Purchase Agreement

Austin Energy Financial Health

	2019 Minimum	2018 Actual	2019 Estimate	2020 Forecast
Standard & Poor's (S&P) credit rating on separate-lien revenue bonds	AA	AA	AA	AA
Working Capital	\$131M	\$460M	\$452M	\$373M
Days Cash on Hand (Fitch)	150 days	233	268	236
Debt Service Coverage (before GFT) *	2.5X	4.1	3.6	2.7
Debt Service Coverage (after GFT) *	2.0X	2.9	2.5	1.9
Debt to Capitalization	50%	44%	52%	52%
Net Income	\$10M	\$58M	\$10M	\$4M

* Debt service coverage ratios presented do not include imputed debt associated with power purchase agreements



Austin Energy Financial Health - Reserves

	2019 Minimum	2018 Actual	2019 Estimate	2020 Forecast
Working Capital	\$131M	\$460M	\$452M	\$373M
Contingency Reserve	\$96M	\$97M	\$102M	\$104M
Power Supply Stabilization Reserve	\$102M	\$95M	\$105M	\$105M
Capital Reserve	\$81M	\$42M	\$67M	\$67M
Total	\$410M	\$694M	\$726M	\$649M

		2019 Budget	2020 Forecast
Non-Nuclear Decommissioning		\$22M	\$30M

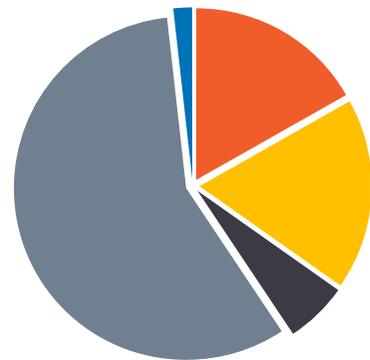
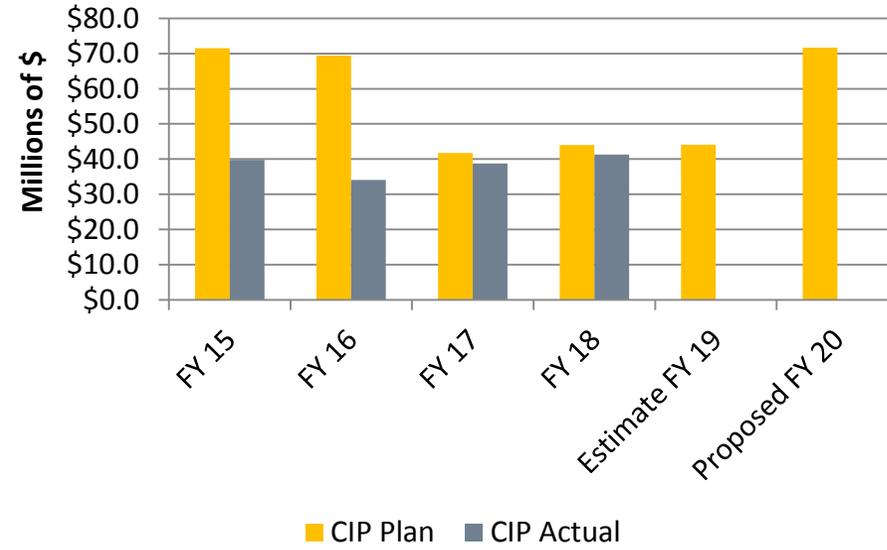
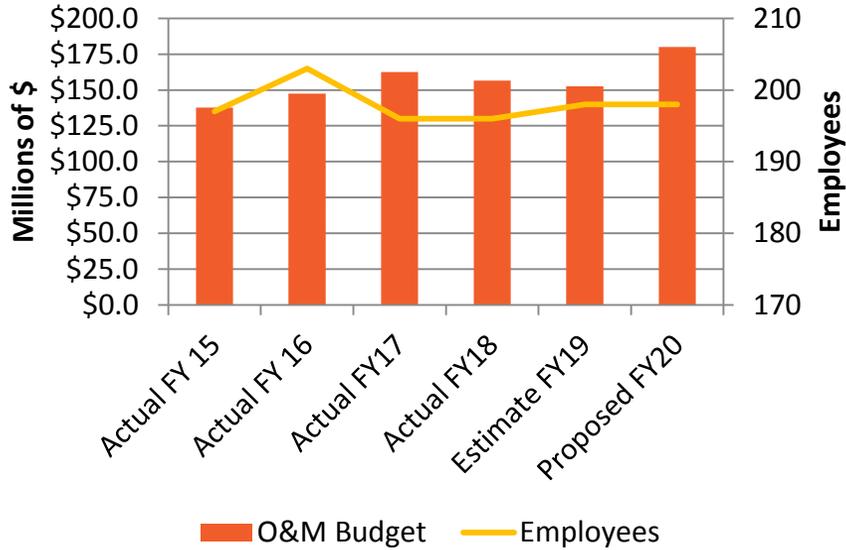


Fiscal Year 2020 Proposed Budget Presentation

Major Business Unit Discussions



FY 2020 Power Generation & District Cooling Resources Budget Summary



- STP & FPP- O&M budget increased by \$10.1M due to increase in cyclic increases in planned outage and maintenance expenses
- Purchase of Nacogdoches Plant increased total proposed budget for FY20 by \$17.2M, recovered in Purchase Power Adjustment
- District Cooling O&M proposed budget for FY20 \$15.2M
- Downtown District Cooling Plant 3 capital expenses of \$21.0M
- ACC Cooling Plant capital expenses of \$13.1M
- Downtown Chiller Capacity Addition capital expenses of \$8.3M
- Sand Hill Energy Center capital expenses of \$7.4M



- Labor and Benefits
- Maintenance Contracts
- Commodities
- Contractuals
- Joint Projects

FY 2020 Power Generation & District Cooling CIP Highlights

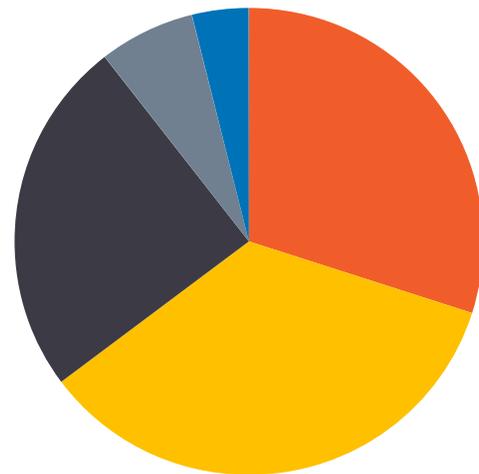
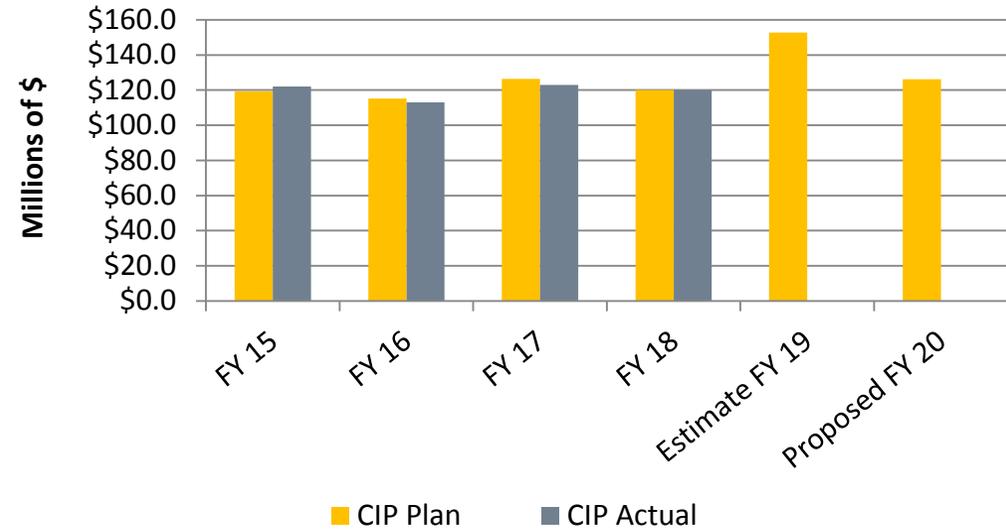
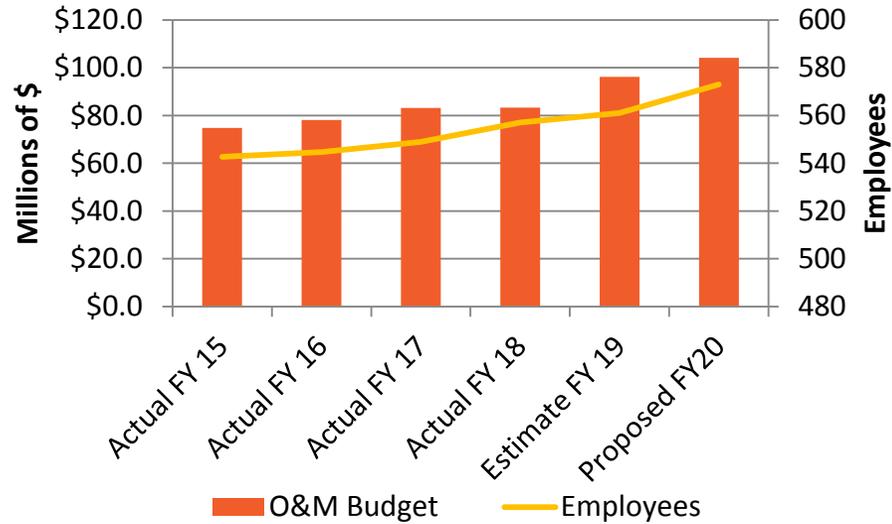
5-Year Spend Plan

	<i>FY 2019 Estimate</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2020 – 2024 Total
District Cooling Plant #3	\$12.0	\$21.0	\$20.0	\$0.0	\$0.0	\$0.0	\$41.0
Satellite - ACC Plant	\$0.8	\$13.1	\$16.6	\$0.0	\$0.0	\$0.0	\$29.7
Downtown Chiller Capacity Addition	\$1.9	\$8.3	\$2.0	\$0.0	\$0.0	\$0.0	\$10.3
Sand Hill Energy Center Capital Program	\$7.8	\$7.4	\$17.5	\$14.9	\$15.1	\$14.9	\$69.8

in millions



FY 2020 Electric Service Delivery Budget Summary



- 10 new FTEs included in FY20 Proposed Budget
- \$2.0M increase for advanced technologies
- \$1.0M increase for utility line clearance
- \$1.7M increase for feeder maintenance
- \$11.7M Meter upgrades as part of electric grid modernization
- \$14.0M Downtown and Bluff Springs substations



- Labor and Benefits
- Contractuals
- Commodities
- Labor Capital Projects
- Line Clearance Contract

FY 2020 Electric Service Delivery CIP Highlights

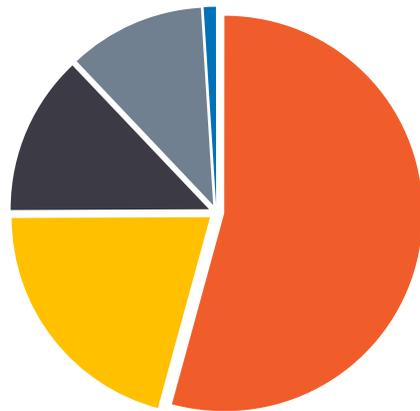
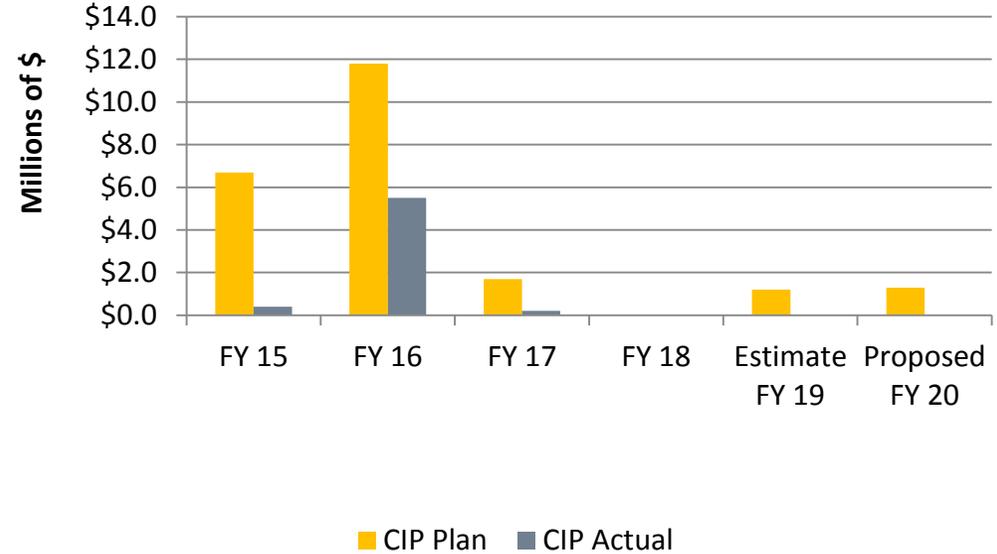
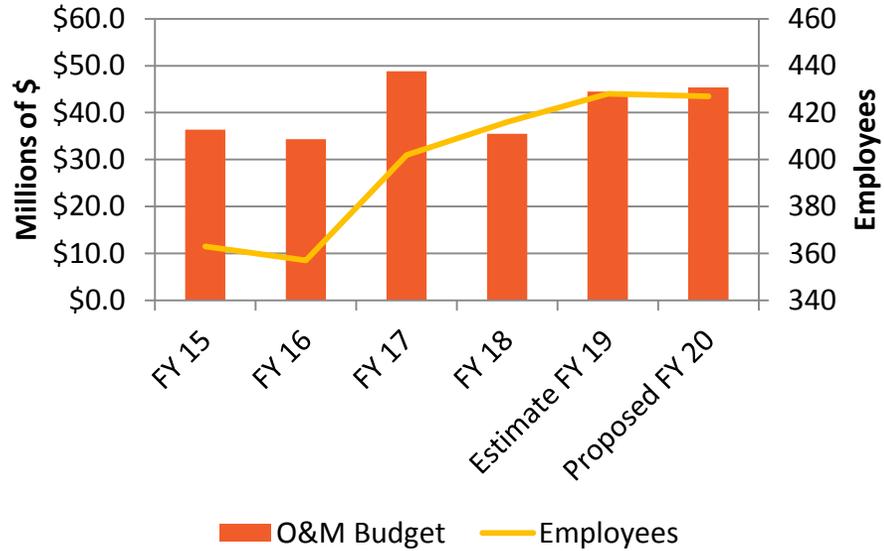
5-Year Spend Plan

	<i>FY 2019 Estimate</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2020 – 2024 Total
Meter Replacements	\$11.7	\$11.7	\$11.7	\$11.6	\$10.8	\$7.7	\$53.5
Rainey Street Substation	\$0.8	\$6.0	\$13.5	\$3.3	\$0	\$0	\$22.8
Brackenridge Substation	\$0.0	\$0.1	\$0.4	\$8.4	\$4.8	\$0	\$13.7
WAMS (Work Asset Management System)	\$2.5	\$4.0	\$4.0	\$4.0	\$0	\$1.5	\$13.5
Robinson Ranch Substation	\$0.04	\$0.2	\$6.5	\$5.4	\$0	\$0	\$12.1

In millions



FY 2020 Customer Care Budget Summary

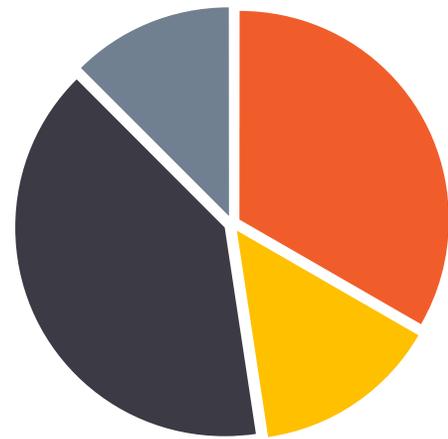
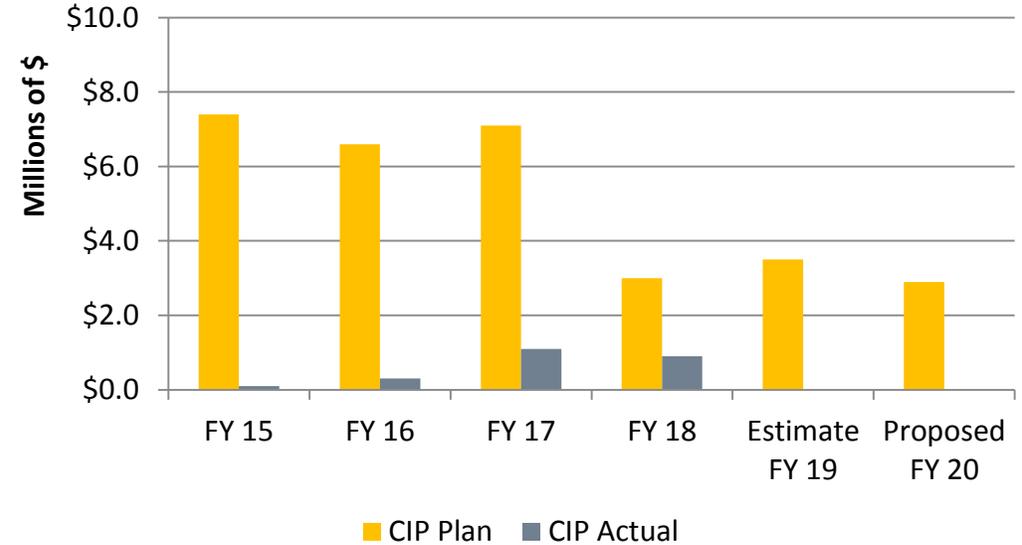
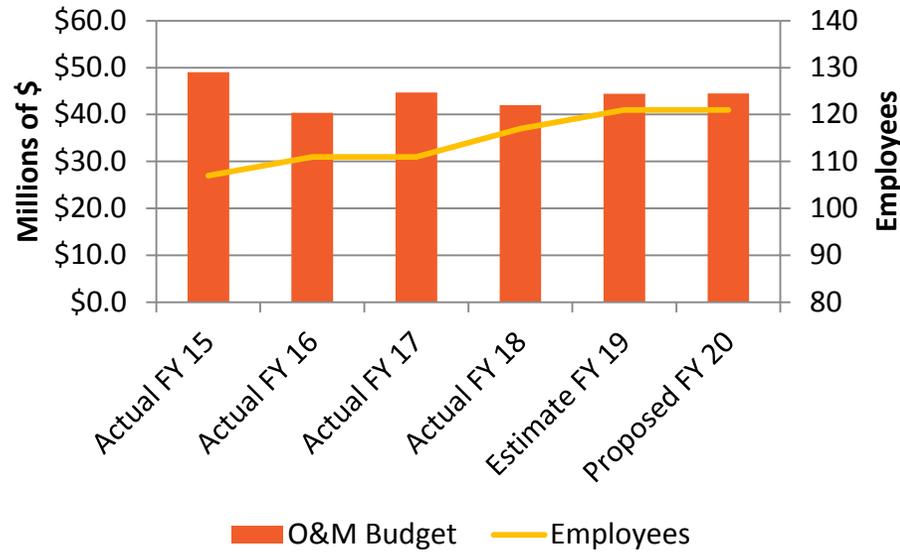


- \$360K decrease to the CIS Solution Oracle contract
- Funding included in 5 yr. CIP plan for Interactive Voice Response (IVR) enhancement



■ Labor and Benefits
 ■ Contractuals
 ■ Oracle Contract
■ Staffing Services
 ■ Commodities

FY 2020 Customer Energy Solutions Budget Summary



- FY20 proposed budget meets or exceeds all Council and GenPlan goals
- Solar budget incentives decreased by \$2M
- Non-solar demand side management budget of \$39M is 2.8% of gross revenues
- 10 CIP-Electric vehicle fast charging stations
- DC fast charging stations growth \$2.1M in FY20



- Labor and Benefits
- Energy Efficiency Incentives
- Contractuals
- Solar Program

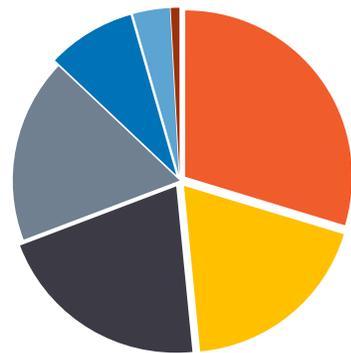
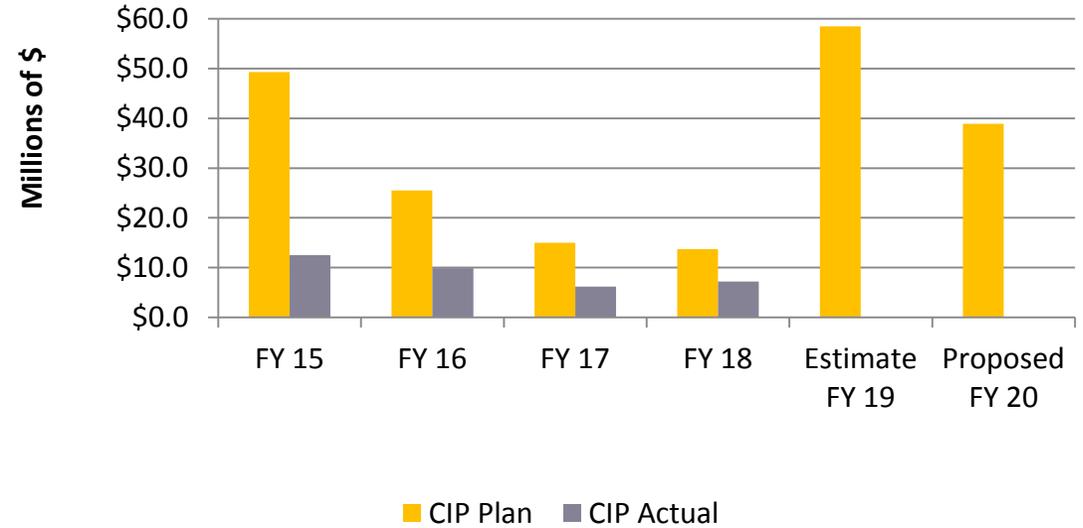
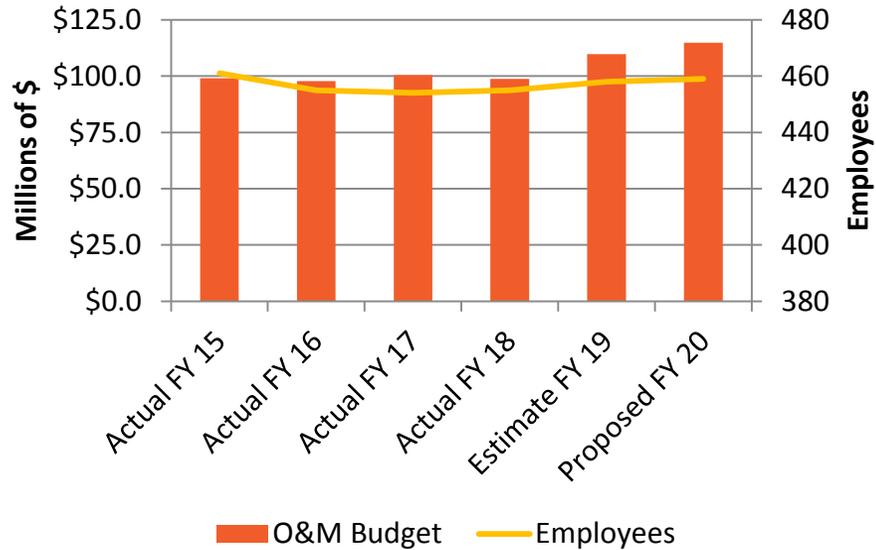
Energy Efficiency Programs

Community Benefits Charge: Energy Efficiency Services Incentives (in thousands)

Component	FY 2019 Amended Budget	FY 2020 Proposed Budget	Variance
Austin Energy Weatherization DI	\$1,277	\$1,277	-
Appliance Efficiency Program	1,500	1,600	100
Customer Assistance Program (CAP) Weatherization Direct Incentives (DI)	1,000	1,000	-
Commercial Power Partner	90		(90)
Commercial-Existing Construction	3,100	2,335	(765)
Home Performance Energy Star	1,650	1,800	150
Load Coop	1,270	1,487	217
Loan Options	200	100	(100)
Multi-Family Rebates	425	1,060	635
Multi-Family Weatherization DI	675	1,060	385
Residential Power Partner-Aggregate	1,483	1,500	17
Small Businesses	1,900	2,260	360
Solar Program	5,000	3,000	(2,000)
Solar PV Performance Based Incentive Program	2,500	2,500	-
SPUR Strategic Partnership with Utilities & Retailers	875	1,000	125
Water Heater Timers	495	495	-
Other	388	260	(128)
Total CBC: Energy Efficiency Services Incentives	\$23,828	\$22,734	-\$1,095



FY 2020 Support Services Budget Summary



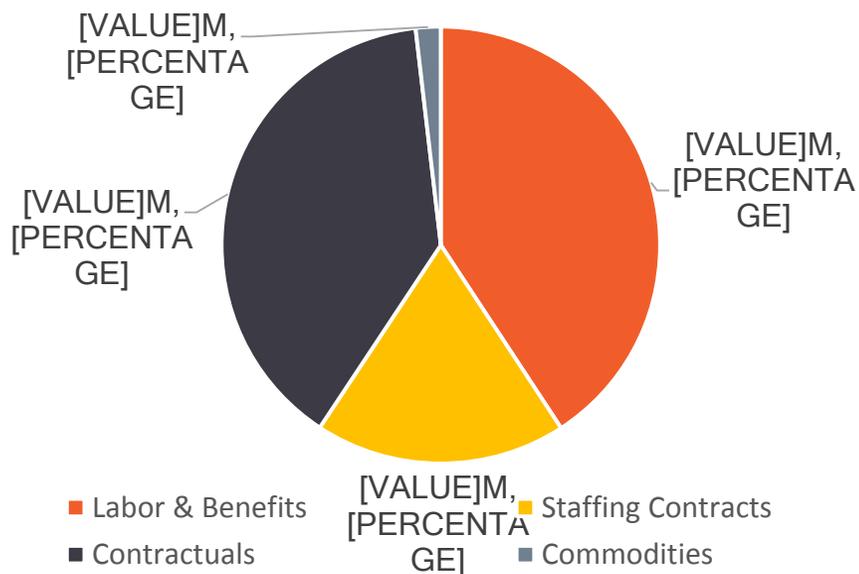
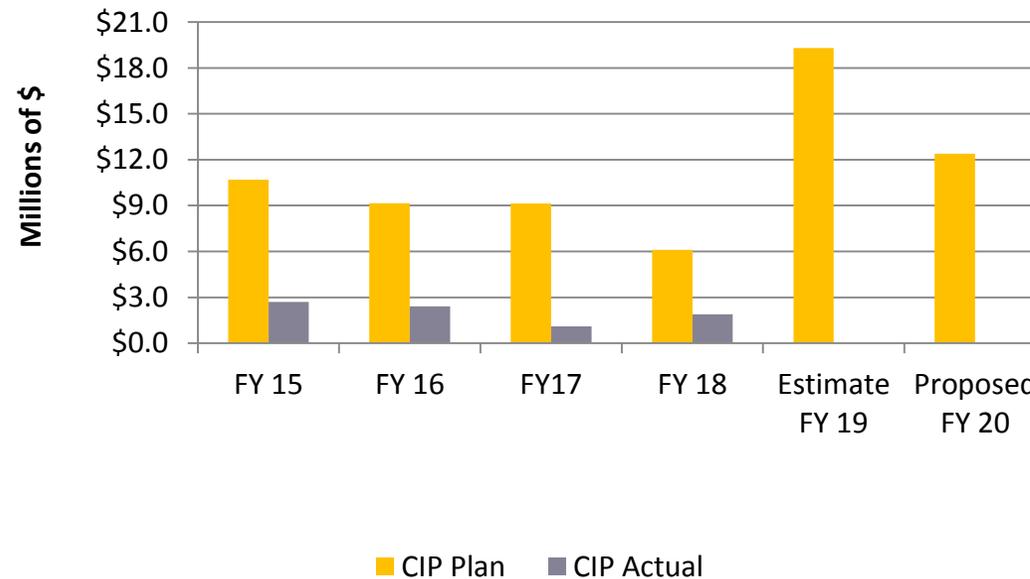
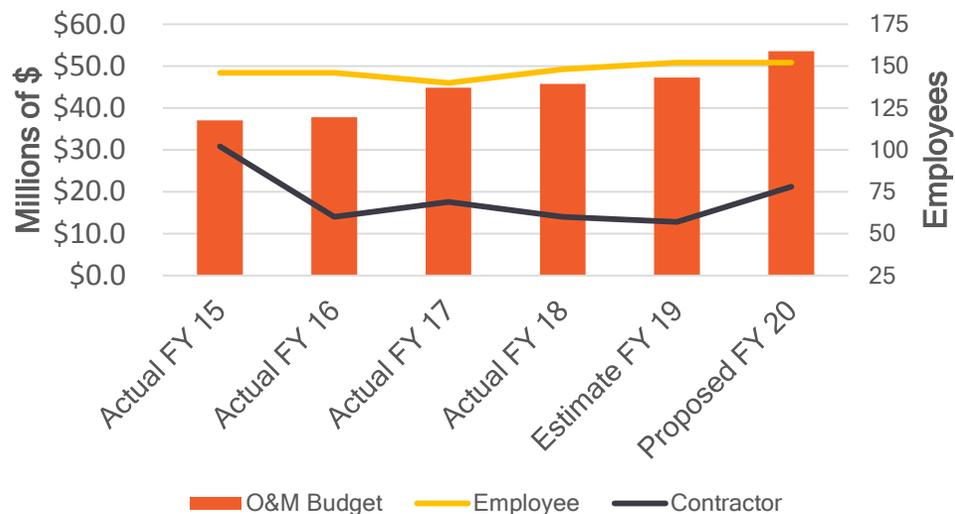
- Decreased leased/rental space by \$497K
- FY19 includes \$40M escrow for new headquarters
- FY20 includes \$26M for new warehouses
- \$3.5M in FY19 capital expenses for financial risk management system upgrade



- Labor and Benefits
- IT Labor and Benefits
- Contractuals
- IT Contractuals
- IT Staffing Contracts
- Commodities
- IT Commodities

Information Technology details on next slide

FY 2020 Information Technology Budget Summary



- IT Infrastructure Transformation Program

- O&M - \$1.7M for support, maintenance and technical services for projects to automate server provisioning, cloud contracts for disaster recovery, and software for protection of privileged accounts
- CIP – Infrastructure and Technical Services \$6.8M; key projects for Software Defined Networking, Datacenter and Disaster Recovery



Fiscal Year 2020 Proposed Budget Presentation

Proposed Tariff and Fee Changes



FY 2020 Tariff and Fee Changes

Fee Schedule Changes	Current	Proposed
Hit and Damaged Pad Mount Transformer	\$ 7,130.00	\$ 9,430.00
Hit and Damaged Streetlight Pole	\$ 3,650.00	\$ 5,400.00
Hit and Damaged Utility Pole	\$ 8,270.00	\$ 11,500.00
Impacted Streetlight Pole (without replacement)	\$ 430.00	\$ 540.00
Impacted Utility Pole (without replacement)	\$ 930.00	\$ 1,150.00
Broken Seal Fee	\$ 25.00	\$ 55.00
Distributed Generation Inspection Fee - Residential	-	\$ 150.00

Tariff Changes:

- Proposed PSA pass through rate to be finalized in August

Changes to Fee Language:

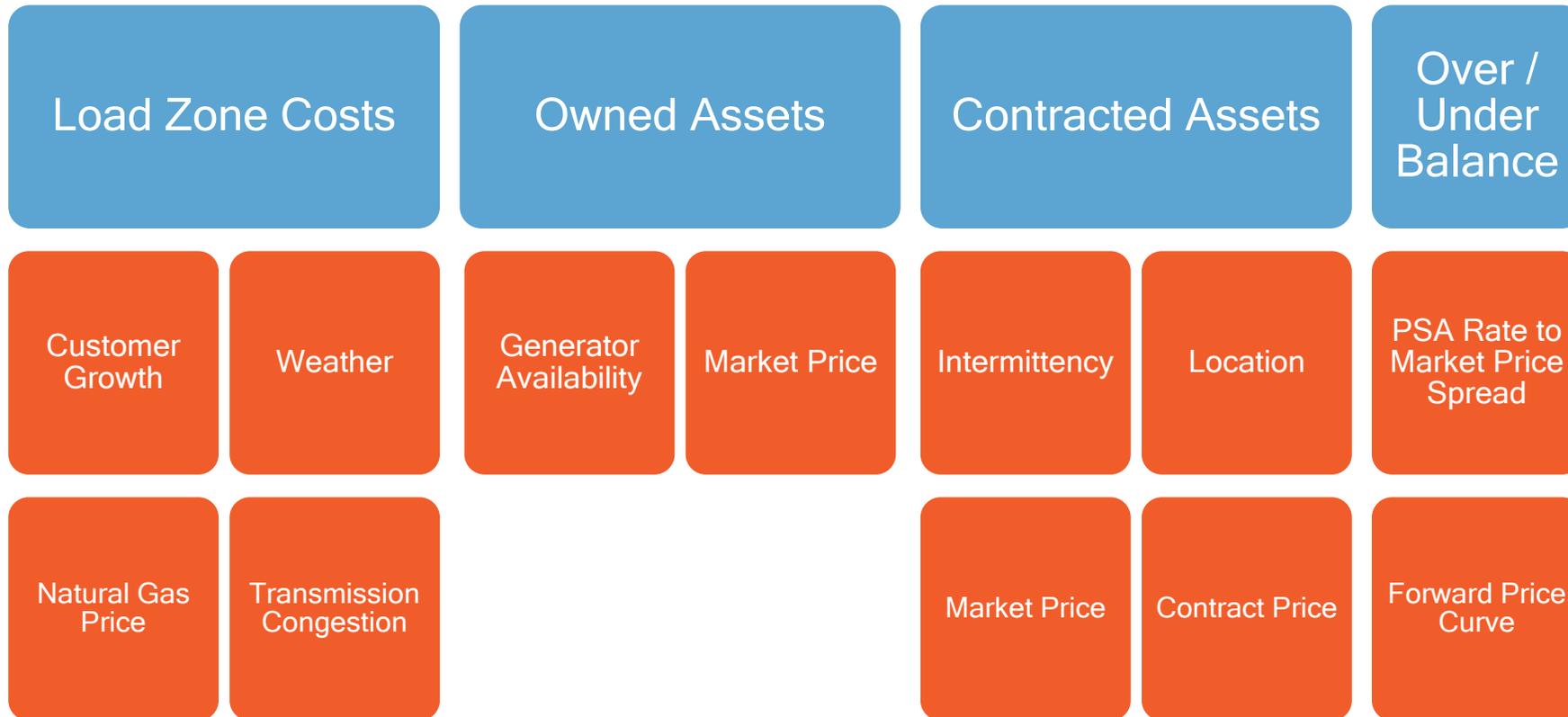
- Damaged Austin Energy Facilities - “at cost” changed to “direct cost plus overhead / G&A”
- Removed Broken Seal Fee waiver language
- Removed “Diversion” from “Utility Diversion Charges”
- “Temporary Services” to “Construction Loop Service” and the fee amount from “cost + 15%” to “at estimated cost”



Power Supply Adjustment Drivers

Major Elements Impacting PSA

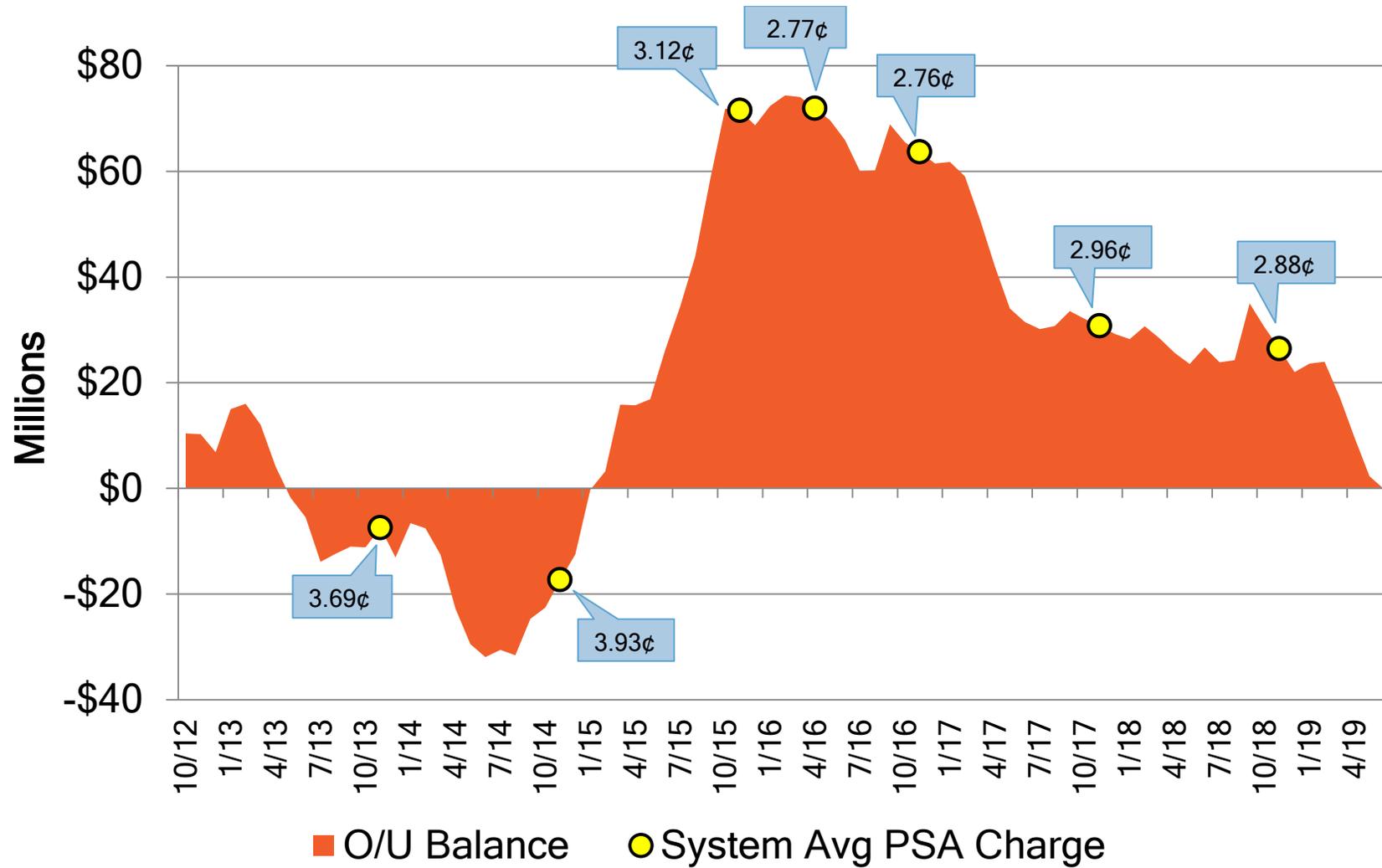
Cost Drivers



Future power prices are inherently uncertain



PSA Over (Under) Balance



Fiscal Year 2020 Proposed Budget Presentation

Budget Adoption Schedule



FY 2020 Budget Adoption Schedule

- August 5 – Proposed Budget Presentation/Budget Work Session #1
 - Proposed Budget available to the public
- August 8 – Adopt maximum tax rate, set public hearings
- August 20 - Budget work session #2
 - Council deliberations on select topics
- August 22 - Public Hearing on Tax rate
- August 28 – Public Hearing on Budget and Tax Rate
- August 29 – Budget work session #3
 - Austin Energy publishes final proposed PSA rate
- September 4 – Budget Work session #4
- September 10 - Budget readings and adoption





**Customer Driven.
Community Focused.SM**

